

Unocal Corporation
Real Estate, Remediation Services, Mining Operations
546 Main St. #404
Grand Junction, Colorado 81501
Telephone: (970) 241-7632
Facsimile (970) 241-0065

m/037/022



May 31, 2002

Richard L. Brammer
Area Manager
Eastern Region

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
PO Box 145801
Salt Lake City, Utah 84114-5801

RE: Closure of the Small Fry Mine M/037/022, San Juan County, Utah.

Paul Baker
Doug Jensen

Dear Sirs:

The attachment represents the activity that has taken place this last month in closing the adits and grading out the pads and roads located at the Small Fry Mine Site. It is my understanding you will be visiting the site in the next few months.

Molycorp requests to have consideration of reduction of the reclamation bond in view of the fact that we have completed the majority of the prescribed work. Our intention is to accomplish the fertilization, seeding and some mulching this coming fall, when the weather is more conducive to success.

Thanks for the computer help. It has been enjoyable.

Sincerely,

A handwritten signature in black ink that reads "Richard L. Brammer".
Richard Brammer

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Richard L. Brammer
Area Manager
Eastern Region

May 31, 2001

Ms. Ann Wagner
Environmental Manager
Molycorp
P.O. Box 469
Questa, New Mexico 87556

RE: Reclamation Closure Report for the Small Fry Mine, San Juan County, Utah

Dear Ms. Wagner:

This closure report presents a summary of the final reclamation activities completed at the Small Fry Mine (Site), located in San Juan County, Utah. Final reclamation activities were initiated at the Site on April 22, 2002, and final reclamation was completed on May 31, 2002. Reclamation was accomplished in accordance with the State of Utah – Division of Oil, Gas, and Mining (DOGM) Minerals Reclamation Program Rule R647-3-109 (Small Mining Operations – Reclamation Practices).

Background

In July 1993, the Utah Department of Environmental Quality – Division of Radiation Control (Division) concurred with Molycorp Corporation of America's (Molycorp's) proposal for relocation of Molycorp Dry Valley Naturally Occurring Radioactive Material (NORM) to the Small Fry Mine. The Dry Valley site is located approximately 9 miles south of the Small Fry Mine. The NORM stockpiled at the Molycorp's Dry Valley site consisted of a mixture of approximately 4,000 cubic yards of vanadium tailings and approximately 20,000 cubic yards of soil material. The approved relocation plan specified that the stockpiled NORM tailings and soil materials at the Dry Valley site would be relocated to the Small Fry Mine and placed underground in the former mine workings for permanent storage. Placement of the NORM tailings and soil material in the Small Fry mine was completed in 1994. Following implementation of the relocation plan, Molycorp elected to temporarily maintain a controlled open access to the workings to allow for the possible placement of additional NORM in the future. In 2001, Molycorp initiated final closure of the mine.

Site Description

The Small Fry Mine is a tunnel-entry uranium and vanadium mine comprising six patented lode claims in portions of Sections 33 and 34, T29S, R24E and Sections 27 and 34, T29½S, R24E, San Juan County, Utah. The patent covers 89.167 acres and includes Small Fry lode mining claim numbers 4, 5, 6, 7, 19, and 20 (Proposal for Relocation of Molycorp Dry Valley NORM to Small Fry Mine, San Juan County, Utah – Molycorp, undated). The mine portal is located on an east-facing escarpment on the west side of Big Indian Valley, at an elevation of about 6840 feet above mean sea level. The mine was developed in the Cutler Formation where overlying basal Chinle Formation units have cut and scoured ore-bearing channels into the Cutler Formation. The mine contains an estimated 6 to 8 miles of workings, which are, on average, 200 to 250 feet below the ground surface which generally slopes 8 degrees to the southwest (Proposal for Relocation of Molycorp Dry Valley NORM to Small Fry Mine, San Juan County, Utah – Molycorp, undated).

The mine bench was constructed on the east-facing escarpment, which is bounded above by a natural terrace that overlies the mine workings. In addition to the mine portal, five other excavations were constructed into the rock wall on the mine bench (Attachment A – Photographs 1 through 4). The excavations were apparently used for an office, a shop, two magazines, and a compressor shack. Timbers were used to secure and enclose each excavation. A large level area on the natural terrace below the mine bench was apparently used for parking and equipment/material storage. A number of prospects/adits were excavated into the escarpment above the mine bench and south of the primary mine portal (Attachment A – Photograph 5). The mine access road extends approximately ¼ mile from the portal area to an unpaved county road which joins the Big Indian Valley County Road within about ½ mile of the Site.

Site improvements on the natural terrace overlying the mine workings include an escape/ventilation shaft, various lightly used access roads, and a power line extending from the shaft area to the mine bench. The escape/ventilation shaft opening measured approximately 12 feet by 8 feet and extended approximately 250 feet from the ground surface to the mine workings. A concrete collar surrounded the shaft opening which was covered with a locked metal cap. A small, tar-paper covered, wooden building was located near the shaft. Several car bodies (frame and body only) had been abandoned near the shaft area. Miscellaneous mine debris and general refuse was scattered across the area.

Reclamation/Closure Activities

Reclamation activities performed to support final closure of the Site are summarized below.

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Removal of Structures and Debris

The initial activities conducted as part of final site closure included removal of wooden structures and concrete debris, timbers, trash and debris, stockpiled materials, car bodies, and miscellaneous equipment (ventilation fan housing). All such material was disposed onsite by burying the material with a minimum 3-foot backfilled cover, placing the material inside the mine portal or other excavation openings, or depositing the material in the escape/ventilation shaft.

Mine Bench Area

The mine portal and other excavations constructed on the mine bench were permanently sealed by removing timbers and wooden siding extending beyond the portal/excavation openings and backfilling the openings with unconsolidated sediment (Attachment A – Photograph 6). The backfill material was obtained from the side slope of the mine bench. To promote revegetation of backfilled areas, the upper 1 foot of backfilled material was composed predominantly of red (oxidized) sandy silt which is more conducive to re-establishment of natural vegetation than the underlying backfill material composed of primarily of gray (reduced) silty clay. The resulting slope formed along the portal area was contoured to match the slope above the bedrock outcrop. The surface of the mine bench was ripped in preparation for subsequent seeding. To avoid unnecessary disturbance of established vegetation on the mine bench side slope, the decision was made in consultation with DOGM personnel to rip the bench in place rather than to regrade the bench to match the pre-mine topography.

Escape/Ventilation Shaft

The escape/ventilation shaft was located on the natural bench overlying the mine workings, approximately 1,000 feet west of the rim above the mine portal area. The metal cap covering the shaft was removed, crushed, and disposed of in the shaft. In addition, the timbers and wooden structures used to crib the upper portion of the shaft were removed and the material disposed of in the shaft. The concrete collar surrounding the shaft was left in place. The shaft was filled by depositing concrete rubble, crushed car bodies, wooden structure debris, and general rubbish scattered across the natural terrace in the shaft. The car bodies were crushed prior to being deposited in the shaft (Attachment A – Photograph 7). Large blocks of concrete rubble were used to dislodge any bridges that formed in the shaft during closure operations (Attachment A – Photograph 8). A solid bridge formed at a depth of 41 feet below the ground surface. Repeated attempts were made to dislodge the bridge which could not be broken, and therefore, the bridge was used as the base of shaft plug. The remaining portion of the shaft was filled, as described above, to the ground surface (Attachment A – Photograph 9).

A large block of concrete measuring approximately 10 feet by 10 feet by 2.5 feet thick was placed over the top of the shaft as a cap (Attachment A – Photograph 10). The cap was placed on the concrete collar of the shaft such that three sides of the cap

overlapped the collar by 1 foot. A second piece of concrete was used to cover the remaining approximately 2 foot by 8 foot former shaft opening. The concrete covers were buried under approximately 2 feet of unconsolidated sediment obtained from the surface of the natural bench. The shaft area was graded level and ripped in preparation of seeding (Attachment A – Photograph 11).

Access Roads and Former Parking/Storage Areas

All disturbed areas associated with access roads and former parking/storage areas were either ripped or pitted in preparation of seeding (Attachment A – Photograph 12). The primary mine access road was ripped from the mine area to the gated entrance at the county road. The mine gate was removed and a soil berm installed to protect the reclaimed area by discouraging vehicle access from the county road.

Power Line

A power line extended from the portal bench to the escape/ventilation shaft. The line and associated poles were removed by Utah Power.

Ancillary Prospects/Adits

A number of small prospects and/or ancillary adits to the mine were located on the steep hillside above and south of the portal bench. The depth of the excavations ranged from only a few feet to possibly extending to the mine workings. The openings were sealed by backfilling the excavations with unconsolidated sediments. Backfill material was obtained from the hill slope below and above the excavations. The backfilled areas were graded to match the adjacent topography (Attachment A – Photograph 13).

Reseeding

Reseeding will be performed in fall 2002, when conditions are more conducive to the establishment of vegetation. Seeding will be accomplished in accordance with the revegetation plan and schedule specified in the approved Mining and Reclamation Plan. The vegetation species specified in the plan is crested wheat.

Site Inspection

Mr. Paul Baker and Mr. Doug Jensen (DOGM) conducted a site inspection on May 1, 2002. The purpose of the inspection was to observe reclamation activities and provide any recommendations regarding reclamation practices at the Site. The DOGM personnel reviewed general reclamation concepts with the onsite reclamation operator, Mr. Gary Haptonstall. During the inspection, the DOGM personnel requested that disturbance associated with reclamation operations be minimized and established vegetation be retained as much as possible. It was also recommended that disturbed

areas be ripped and/or pitted to promote retention of precipitation and that side slopes on the mine bench be left in place to promote retention of established vegetation.

Ms. Denice Swanke, U.S. Bureau of Land Management – Moab Field Office, conducted an inspection of the Site on May 14, 2002. The purpose of her inspection was to verify that closure operations were being conducted in a manner consistent with the BLM's expectations. Mr. Doug Jensen (DOGM) was also scheduled to attend the inspection; however, Mr. Jensen informed Mr. Dick Brammer (Unocal) on May 13, 2002 that he would not be attending the inspection at this time and that an inspection by DOGM would be required at the Site at a later date.

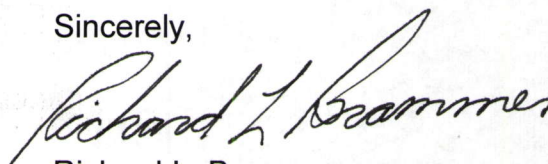
Following the BLM's inspection, Ms. Swanke indicated to Mr. Brammer that she was satisfied with the reclamation operations and had identified no areas of concern.

Summary

Reclamation activities at the Small Fry Mine have been completed in accordance with the reclamation practices specified in the DOGM Minerals Reclamation Program Rule R647-3-109. The revegetation seeding shall be performed this winter and a portion of the Reclamation Bond will be retained until a review of revegetation success is evaluated.

Should you have any questions or concerns in regards to this report, please contact me at (970) 241-7632 extension 222.

Sincerely,



Richard L. Brammer
Asset Manager

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ATTACHMENT A – PHOTOGRAPHS

**Small Fry Mine Site
San Juan County, Utah**

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Photo 1: Small Fry Mine - Portal bench area and former mine shop



Photo 2: Small Fry Mine – Main portal

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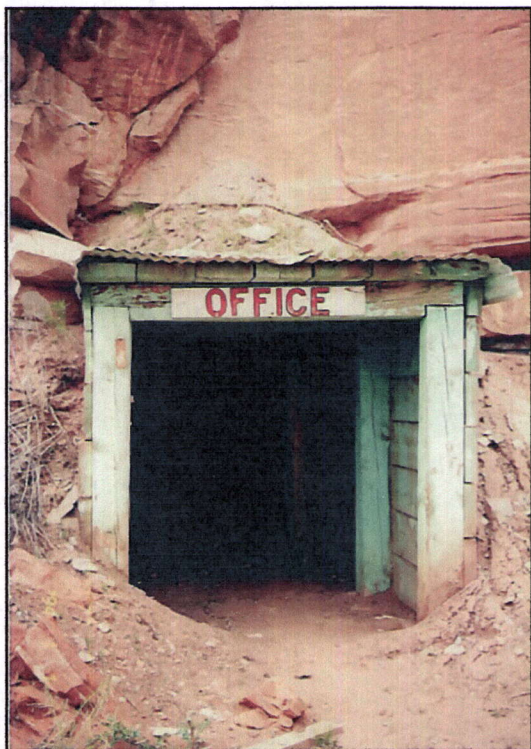


Photo 3: Small Fry Mine - Office

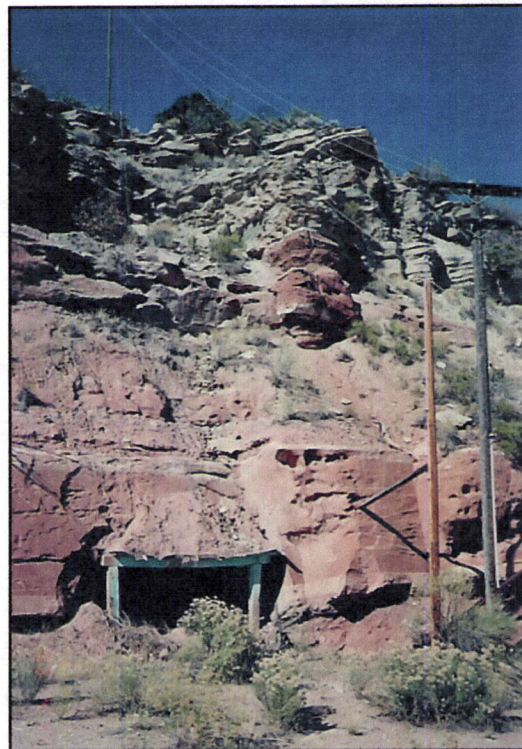


Photo 4: Small Fry Mine - Power line



Photo 5: Small Fry Mine – Prospects/adits above the mine bench and south of the mine portal (excavations shown in left-central portion of photograph).

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Photo 6: Small Fry Mine – Portal bench area following reclamation.



Photo 7: Small Fry Mine – Crushed car body deposited in shaft.

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Photo 8: Small Fry Mine – Concrete rubble deposited in the shaft.



Photo 9: Sealed shaft opening prior to placement of concrete cap.

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Photo 10: Concrete cap over former shaft opening.



Photo 11: Reclaimed shaft area (former shaft located in left central portion of photograph).

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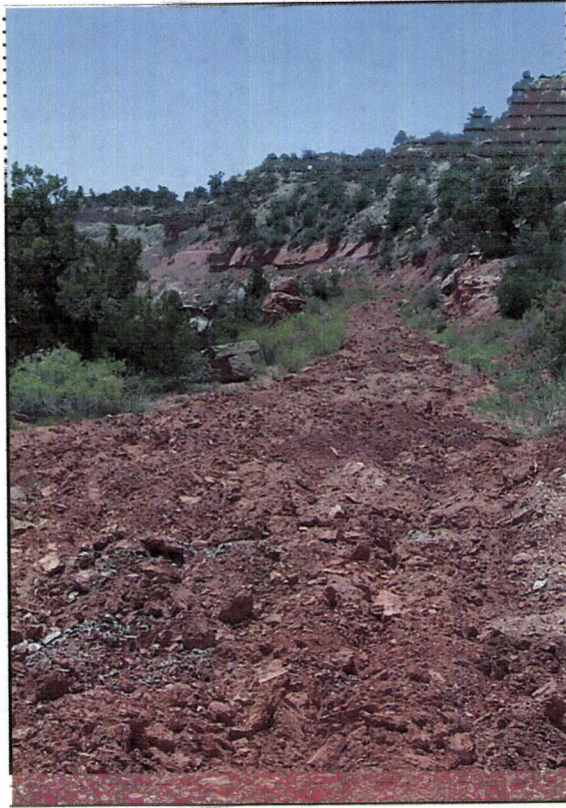


Photo 12: Reclaimed access road to portal h



Photo 13: Reclaimed prospects/adits above former mine bench.

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